

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
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FM USINT HAVANA
TO SECSTATE WASHDC 1303
INFO AMEMBASSY MOSCOW
USLO PEKING
USDOC WASHDC

C O N F I D E N T I A L HAVANA 0570

EO 11652: GDS
TAGS: ETRD EEWT EPAP CU CH
SUBJ: CUBAN-CHINESE ECONOMIC RELATIONS

1. USINT OFFICER, MARCH 2, CALLED ON HOU YUN, COMMERCIAL
COUNSELOR OF CHINESE EMBASSY, TO DISCUSS CUBAN-CHINESE ECONOMIC
RELATIONS. HOU WAS ACCOMPANIED BY UNIDENTIFIED INTERPRETER.

2. HOU SAID THAT, WHILE CHINESE-CUBAN 1978 INTERGOVERN-
MENTAL ECONOMIC AGREEMENT HAS NOT YET BEEN SIGNED, INDIVIDUAL
CONTRACTS HAVE ALREADY BEEN WRITTEN. CHINESE DELEGATION WILL
SOON BE JOURNEYING TO HAVANA FOR SIGNATURE OF 1978 UMBRELLA
AGREEMENT.

3. PRELIMINARY DATA, HOU SAID, INDICATE THAT TWO-WAY CUBA-
CHINA COMMERCIAL TRADE IN 1978 WILL TOTAL 68 MILLION POUNDS
STERLING - A TWENTY PERCENT INCREASE OVER 1977. (TRADE WILL
BE BALANCED 34 MILLION POUNDS IN EACH DIRECTION.) WHEN
USINT OFFICER EXPRESSED SURPRISE THAT TRADE WOULD INCREASE
DESPITE SHARP CUBAN ATTACKS ON CHINESE LEADERSHIP (E.G.,
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RAUL CASTRO'S DECEMBER LUANDA REFERENCE TO PEKING "TRAITORS"),
HOU YUN SAID THAT VOLUME OF TRADE WAS INFLUENCED BY CHINESE
DOMESTIC NEEDS FOR SUGAR. IN ADDITION, HOU ADDED, CHINESE
CONSIDER THAT ROOT OF CUBAN PROBLEM LIES IN MOSCOW, NOT
HAVANA.

4. CHINESE UNDER 1978 AGREEMENT, HOU SAID, WILL IMPORT

310 THOUSAND TONS OF CUBAN SUGAR. PRICE, AS FOR ALL CHINESE-CUBAN EXPORT-IMPORTS, IS DETERMINED ON BASIS OF AVERAGE FREE MARKET PRICE FOR PREVIOUS TWELVE MONTHS. PRICE BEING USED FOR 1978 SUGAR IS EIGHT CENTS PER POUND. (ALL CHINESE-CUBAN TRADE IF F.O.B.)

5. SUGAR, HOU SAID, CONSTITUTES 99.9 PERCENT OF CHINESE IMPORTS FROM CUBA. CHINESE EXPORTS CONSIST OF FOOD PRODUCTS (INCLUDING SIXTY THOUSAND TONS OF RICE - SAME AS LAST YEAR AND CANNED MEAT), TEXTILES (ABOUT 40 MILLION SQUARE METERS - PRINCIPALLY POLYESTER, PLUS COTTON AND SILK), LIGHT INDUSTRIAL PRODUCTS (SUCH AS VENTILATORS, MEDICAL EQUIPMENT, -AND TOYS), CHEMICALS (PARTICULARLY PAINT AND SYNTHETIC COMPOUNDS), AND A SMALL QUANTITY OF MACHINERY AND SPARE PARTS. (CHINESE, HOU SAID, IMPORT NO NICKEL, NO CITRUS, NO TOBACCO, AND NO SEAFOOD). PRINCIPAL INCREASE REGISTERED IN CHINESE EXPORTS IN 1978 WILL BE TEXTILE CATEGORY.

6. HOU INDICATED THAT CHINESE DO HAVE CREDIT BALANCE WITH CUBA FLOWING FROM PREVIOUS TRADE IMBALANCES IN CHINESE FAVOR AND SMALL CREDITS PROVIDED FOR FACTORY CONSTRUCTION. CHINESE HAD TOLD CUBANS, HOU SAID, THAT CUBA COULD LIQUIDATE CREDITS WHEN IT CHOOSES, WITHOUT PRESSURE. CUBANS, IN RECENT YEARS, HOWEVER, HAVE BEGUN PAYING BACK DEBT - IN 1977 TWENTY THOUSAND TONS OF SUGAR ABOVE COMMERCIAL AGREEMENT WAS SHIPPED TO CHINA AND IN 1978 THIRTY THOUSAND TONS OF SUGAR ABOVE
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AGREEMENT WILL BE PROVIDED.

7. WHEN USINT OFFICER REFERRED TO REPORTED CHINESE HARD CURRENCY PURCHASES OF CUBAN SUGAR, HOU ACKNOWLEDGED THAT SUCH PURCHASES HAVE OCCURRED THROUGH BROKERS, BUT HE SAID THAT HE DID NOT HAVE AVAILABLE DATA ON PAST AND ANTICIPATED COMMERCIAL CURRENCY PURCHASES. (HOU SAID THAT HE DID NOT BELIEVE, HOWEVER, THAT TOTAL CHINESE SUGAR IMPORTS FROM CUBA WOULD EXCEED 400 THOUSAND TONS. GIVEN COMMERCIAL IMPORTS OF 310 THOUSAND TONS, CREDIT PAYBACK OF 30 THOUSAND TONS, AND ALREADY REPORTED HARD CURRENCY DEAL FOR 60 THOUSAND TONS - SEE 77 HAVANA 876, THIS WOULD IMPLY THAT NO FURTHER HARD CURRENCY PURCHASES ARE ANTICIPATED). HE SAID THAT CHINESE HARD CURRENCY PURCHASE MAY HAVE BEEN MOTIVATED BY UNCERTAINTY IN FALL 1977 OVER WILLINGNESS OF CUBANS TO SUPPLY LARGER QUANTITIES OF SUGAR UNDER CHINESE-CUBAN COMMERCIAL AGREEMENT.

8. WITH REGARD TO OTHER ASIAN COMMUNIST COUNTRIES, HOU SAID THAT NORTH KOREA IN 1978 WILL LIKELY BUY TEN TO TWENTY THOUSAND TONS OF SUGAR FROM CUBA. HOU SAID THAT HE HAD NO SPECIFIC FIGURE AVAILABLE FOR VIETNAM PURCHASES,

BUT THAT VIETNAMESE, IN ANY EVENT, ONLY PAY FOR EXTERMELY
SMALL QUANTITY OF THEIR CUBAN SUGAR PURCHASES. REMAINDER
OF DELIVERIES IS PROVIDED BY CUBA AS GIFT.

9. COMMENT: WE ARE STRUCK BY CHINESE WILLINGNESS TO
INCREASE TRADE, DESPITE VICIOUS CUBAN ATTACKS ON THEM.
GLASSMAN

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